

**TEXAS PUBLIC FUNDS INVESTMENT ACT
GOVERNMENT CODE, CHAPTER 2256
SUMMARY OF 2019 AMENDMENTS**

The Texas Legislature approved amendments to Chapter 2256 of the Government Code, known as the Public Funds Investment Act (“the Act”), during the 2019 regular legislative session. H.B. 2706, which will take effect on September 1, 2019, provides that:

- eligible collateral for repurchase agreements (Section 2256.011) is expanded from a combination of cash and obligations of the United States, its agencies or instrumentalities to include commercial paper and corporate bonds, if applicable. Any restrictions associated with the investment of public funds in either commercial paper or corporate bonds as authorized in Section 2256.013 or Section 2256.0204, respectively, by the Act also apply to the use of these obligations as repurchase agreement collateral.
- extends the stated maximum maturity of commercial paper from 270 days or fewer to 365 days or fewer from the date of its issuance. This maximum maturity extension also applies to commercial paper serving as repurchase agreement collateral.
- requires investment pools maintaining a \$1.00 net asset value to calculate and report yield to investors in the pool in accordance with federal regulations applicable to money market funds. An investment pool using amortized cost accounting, to the extent reasonably possible, must stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. The governing body of an investment pool using amortized cost accounting must also take action to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing pool participants, including a sale of portfolio holdings, to attempt to maintain the ratio of market value of the portfolio divided by the book value of the portfolio between 0.995 and 1.005.
- adds Section 2256.0208, “Local Government Investment of Bond Proceeds and Pledged Revenue”, to the Act. Local government investment officers are authorized to invest bond proceeds or revenue pledged to the payment of the debt obligation only to the extent permitted by the Act, in accordance with provisions governing the debt issuance, as applicable, and the local government’s approved investment policy regarding the debt issuance, as applicable.
- repeals Section 2256.0204(g), which prohibited public funds investment pools from investing in corporate bonds.

H.B. 293, which was effective as of 06/07/2019, amended the investment training requirements for school district financial officers through the addition of Subsection (g).

Subsection (g) provides that the treasurer, chief financial officer, or investment officer of a school district is not subject to the continuing investment training requirements of eight hours every two consecutive fiscal years under Section 2256.008(a-1) if the district does not invest district funds or only deposits district funds in interest-bearing deposit accounts or certificates of deposit as authorized by Section 2256.010 of the Act. The treasurer, chief financial officer, or investment officer must annually submit to the agency a sworn affidavit identifying the related investment categories in Subsection (g) that apply to the district.